


<div style="text-align: center;"> S U S A N C O M B S </div>	<div style="text-align: center;"> TEXAS COMPTROLLER <i>of</i> PUBLIC ACCOUNTS P.O. Box 13528 • AUSTIN, TX 78711-3528 </div>
	

December 6, 2010

Mr. John Koonce
Assistant Superintendent of Finance
Barbers Hill Independent School District
P. O. Box 1108
Mont Belvieu, Texas 77580-1108

Dear Assistant Superintendent Koonce:

On December 3, 2010, the agency received the completed application for a limitation on appraised value originally submitted to the Barbers Hill Independent School District (Barbers Hill ISD) by Enterprise Products Operating LLC (Enterprise) in August, 2010, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Enterprise's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Barbers Hill ISD is currently classified as a rural school district in Category 1. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$235,000,000) is consistent with the proposed appraised value limitation sought (\$30 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

Enterprise is proposing the construction of a manufacturing facility in Chambers County. Enterprise is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by Enterprise, the Comptroller's recommendation is that Enterprise's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

Mr. John Koonce
December 6, 2010
Page Two

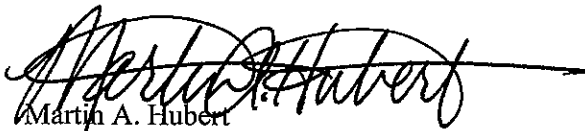
The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution.

During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at www.window.state.tx.us/taxinfo/proptax/hb1200 to find an outline of the program and links to applicable rules and forms.

Should you have any questions, please contact Robert Wood, director of Local Government Assistance and Economic Development, by e-mail at robert.wood@cpa.state.tx.us or by phone at (800) 531-5441, ext. 3-3973, or direct in Austin at (512) 463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Economic Impact for Chapter 313 Project

Applicant	Enterprise Products Operating, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2008-2009 Enrollment in School District	3,890
County	Chambers
Total Investment in District	\$235,000,000
Qualified Investment	\$235,000,000
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	4*
Number of qualifying jobs committed to by applicant	4
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,644
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$1,008
Minimum Annual Wage committed to by applicant for qualified jobs	\$85,500
Investment per Qualifying Job	\$58,750,000
Estimated 15 year M&O levy without any limit or credit:	\$24,826,150
Estimated gross 15 year M&O tax benefit	\$14,191,135
Estimated 15 year M&O tax benefit (<i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$13,971,433
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$0
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$10,854,717
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	56.3%
Percentage of tax benefit due to the limitation	100.0%
Percentage of tax benefit due to the credit.	0.0%
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

This presents the Comptroller's economic impact evaluation of Enterprise Products (the project) applying to Barbers Hill Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
 - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
 - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create four new jobs when fully operational. All four jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area Council of Governments Region, where Chambers County is located was \$47,629 in 2009. The annual average manufacturing wage for 2009 for Chambers County was \$74,438. That same year, the county annual average wage for all industries was \$48,035. In addition to a salary of \$85,500, each qualifying position will receive benefits such as health care, paid sick leave and vacation, education, and a 401(k). The project's total investment is \$235 million, resulting in a relative level of investment per qualifying job of approximately \$58.8 million.

Ability of applicant to locate to another state and [313.026(9)]

According to Enterprise's application, "The Company currently operates in two states, and allocates capital investment to projects and locations that create the best economic return. The existence of a limitation on tax value is a significant factor in calculating the economic return and allocation of reserves to the project. However the Company could redirect its expenditures to its plants in:

- Hobbs – West Texas
- Norco – South Louisiana."

Number of new facilities in region [313.026(12)]

During the past two years, three projects in the Houston-Galveston Area Council of Governments Region have applied for value limitation agreements under Tax Code, Chapter 313.

Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Enterprise project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]

Table 1 depicts Enterprise's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 15 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Enterprise

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	504	733	1237	\$26,413,429	\$55,006,571	\$81,420,000
2012	504	760	1264	\$26,413,429	\$63,796,571	\$90,210,000
2013	4	102	106	\$342,000	\$15,528,000	\$15,870,000
2014	4	59	63	\$342,000	\$11,988,000	\$12,330,000
2015	4	33	37	\$342,000	\$9,058,000	\$9,400,000
2016	4	23	27	\$342,000	\$7,588,000	\$7,930,000
2017	4	17	21	\$342,000	\$6,128,000	\$6,470,000
2018	4	18	22	\$342,000	\$5,888,000	\$6,230,000
2019	4	21	25	\$342,000	\$5,638,000	\$5,980,000
2020	4	24	28	\$342,000	\$5,638,000	\$5,980,000
2021	4	23	27	\$342,000	\$5,518,000	\$5,860,000
2022	4	24	28	\$342,000	\$6,008,000	\$6,350,000
2023	4	26	30	\$342,000	\$6,008,000	\$6,350,000
2024	4	24	28	\$342,000	\$6,008,000	\$6,350,000
2025	4	29	33	\$342,000	\$6,498,000	\$6,840,000

Source: CPA, REMI, Enterprise Products Operating, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2009. Barbers Hill ISD's ad valorem tax base in 2009 was \$2.9 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Barbers Hill ISD's estimated wealth per WADA was \$731,092. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Chambers County, and Mont Belvieu, with all property tax incentives sought being granted using estimated market value from Enterprise's application. Enterprise has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and city. Table 3 illustrates the estimated tax impact of the Enterprise project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Barbers Hill ISD I&S Levy	Barbers Hill ISD M&O Levy	Barbers Hill ISD M&O and I&S Tax Levies (Before Credit Credited)	Barbers Hill ISD M&O and I&S Tax Levies (After Credit Credited)	Chambers County Tax Levy	City of Mont Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate ¹	0.2698	1.0601			0.4518	0.4613	
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
2012	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
2013	\$218,380,000	\$30,000,000		\$589,189	\$318,030	\$907,219	\$907,219	\$246,660	\$251,847	\$1,405,726
2014	\$212,250,000	\$30,000,000		\$572,651	\$318,030	\$890,681	\$890,681	\$383,578	\$391,644	\$1,665,902
2015	\$205,580,000	\$30,000,000		\$554,655	\$318,030	\$872,685	\$872,685	\$464,405	\$474,170	\$1,811,260
2016	\$201,450,000	\$30,000,000		\$543,512	\$318,030	\$861,542	\$861,542	\$455,076	\$464,644	\$1,781,262
2017	\$194,970,000	\$30,000,000		\$526,029	\$318,030	\$844,059	\$844,059	\$440,437	\$449,698	\$1,734,195
2018	\$188,490,000	\$30,000,000		\$508,546	\$318,030	\$826,576	\$826,576	\$851,598	\$869,504	\$2,547,678
2019	\$182,010,000	\$30,000,000		\$491,063	\$318,030	\$809,093	\$809,093	\$822,321	\$839,612	\$2,471,026
2020	\$175,530,000	\$30,000,000		\$473,580	\$318,030	\$791,610	\$791,610	\$793,045	\$809,720	\$2,394,374
2021	\$169,050,000	\$169,050,000		\$456,097	\$1,792,099	\$2,248,196	\$2,248,196	\$763,768	\$779,828	\$3,791,792
2022	\$162,760,000	\$162,760,000		\$439,126	\$1,725,419	\$2,164,545	\$2,164,545	\$735,350	\$750,812	\$3,650,707
2023	\$153,461,000	\$153,461,000		\$414,038	\$1,626,840	\$2,040,878	\$2,040,878	\$693,337	\$707,916	\$3,442,130
2024	\$143,629,000	\$143,629,000		\$387,511	\$1,522,611	\$1,910,122	\$1,910,122	\$648,916	\$662,561	\$3,221,598
2025	\$134,308,660	\$134,308,660		\$362,365	\$1,423,806	\$1,786,171	\$1,786,171	\$606,807	\$619,566	\$3,012,543
						Total	\$16,953,377	\$7,905,297	\$8,071,521	\$32,930,195
Assumes School Value Limitation and Tax Abatements from City of Mont Belvieu and Chambers County										

Source: CPA, Enterprise Products Operating, LLC

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Barbers Hill ISD I&S Levy	Barbers Hill ISD M&O Levy		Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	City of Mont Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate ¹	0.2698	1.0601			0.4518	0.4613	
2010	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
2011	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
2012	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
2013	\$218,380,000	\$218,380,000		\$589,189	\$2,315,046		\$2,904,236	\$986,641	\$1,007,387	\$4,898,263
2014	\$212,250,000	\$212,250,000		\$572,651	\$2,250,062		\$2,822,713	\$958,946	\$979,109	\$4,760,768
2015	\$205,580,000	\$205,580,000		\$554,655	\$2,179,354		\$2,734,008	\$928,810	\$948,341	\$4,611,159
2016	\$201,450,000	\$201,450,000		\$543,512	\$2,135,571		\$2,679,084	\$910,151	\$929,289	\$4,518,524
2017	\$194,970,000	\$194,970,000		\$526,029	\$2,066,877		\$2,592,906	\$880,874	\$899,397	\$4,373,177
2018	\$188,490,000	\$188,490,000		\$508,546	\$1,998,182		\$2,506,729	\$851,598	\$869,504	\$4,227,831
2019	\$182,010,000	\$182,010,000		\$491,063	\$1,929,488		\$2,420,551	\$822,321	\$839,612	\$4,082,484
2020	\$175,530,000	\$175,530,000		\$473,580	\$1,860,794		\$2,334,373	\$793,045	\$809,720	\$3,937,138
2021	\$169,050,000	\$169,050,000		\$456,097	\$1,792,099		\$2,248,196	\$763,768	\$779,828	\$3,791,792
2022	\$162,760,000	\$162,760,000		\$439,126	\$1,725,419		\$2,164,545	\$735,350	\$750,812	\$3,650,707
2023	\$153,461,000	\$153,461,000		\$414,038	\$1,626,840		\$2,040,878	\$693,337	\$707,916	\$3,442,130
2024	\$143,629,000	\$143,629,000		\$387,511	\$1,522,611		\$1,910,122	\$648,916	\$662,561	\$3,221,598
2025	\$134,308,660	\$134,308,660		\$362,365	\$1,423,806		\$1,786,171	\$606,807	\$619,566	\$3,012,543
						Total	\$31,144,511	\$10,580,563	\$10,803,040	\$52,528,114

Source: CPA, Enterprise Products Operating, LLC

¹Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$24,826,150. The estimated gross 15 year M&O tax benefit, or levy loss, is \$14,191,135.

Attachment 3 is an economic overview of Chambers County.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

Attachment 1

Applicant Name
ISD Name

Form 36

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Year Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2010-2011					
			1	2011-12	2011	3,000,000	3,000,000
			2	2012-13	2012	232,000,000	232,000,000
			3	2013-14	2013		
			4	2014-15	2014		
			5	2015-16	2015		
			6	2016-17	2016		
			7	2017-18	2017		
			8	2018-19	2018		
			9	2019-20	2019		
			10	2020-21	2020		
			11	2021-22	2021		
			12	2022-23	2022		
			13	2023-24	2023		
			14	2024-25	2024		
			15	2025-26	2025		
Tax Credit Period (with 50% cap on credit)	Value Limitation Period						
Credit Settle-Up Period	Continue to Maintain Viable Presence						
Post-Settle-Up Period	Post-Settle-Up Period						

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D).

For the purposes of investment, please list amount invested each year, not cumulative totals.

If for the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property.

Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

Column B:

For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility.

The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application,

replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter

those amounts for future years.

[Signature]

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

8/25/2010

DATE

Appendix B (Rev. May 2010): Estimated Market And Taxable Value

Form 50-296

Applicant Name
ISD Name

Form 50-296											
							Qualified Property			Reductions from Market Value	Estimated Taxable Value
						Tax Year (Fill in actual tax year) YYYY	Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		
					School Year (YYYY-YYYY)	2010-11	2010			Final taxable value for I&S - after all reductions	Final taxable value for M&O—after all reductions
					Year	pre- year 1					
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period				1	2011-12	2011				
					2	2012-13	2012				
					3	2013-14	2013				
					4	2014-15	2014				
					5	2015-16	2015				
	Value Limitation Period				6	2016-17	2016				
					7	2017-18	2017				
					8	2018-19	2018				
					9	2019-20	2019				
					10	2020-21	2020				
Credit Settle-Up Period	Continue to Maintain Viable Presence				11	2021-22	2021				
					12	2022-23	2022				
					13	2023-24	2023				
Post- Settle-Up Period		14	2024-25	2024							
Post- Settle-Up Period		15	2025-26	2025							

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

Curt J. [Signature]

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

10/25/2010

DATE

Applicant Name	ISD Name
-----------------------	-----------------

[illegible]

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE _____

Schedule D: (Rev. May 2010): Other Tax Information

Form 50-1 -

[illegible]

*For planning construction and operation of the facility.

cut 700

0102/52

DATE _____

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Attachment 2



1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

December 7, 2010

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Enterprise Operating Products, LLC, project on the number and size of school facilities in Barbers Hill Independent School District (BHISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the BHISD superintendent, Dr. Greg Poole, the TEA has found that the Enterprise Operating Products, LLC, project would not have a significant impact on the number or size of school facilities in BHISD.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

A handwritten signature in cursive script that reads "Helen Daniels".

Helen Daniels
Director of State Funding

HD/hd



1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

December 7, 2010

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed Enterprise Operating Products, LLC, project for the Barbers Hill Independent School District (BHISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Enterprise Operating Products, LLC, project on BHISD are correct.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Helen Daniels".

Helen Daniels
Director of State Funding

HD/hd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED
ENTERPRISE OPERATING PRODUCTS, LLC PROJECT ON THE
FINANCES OF THE BARBERS HILL INDEPENDENT SCHOOL
DISTRICT UNDER A REQUESTED CHAPTER 313 PROPERTY
VALUE LIMITATION**

December 2, 2010

Final Report (Amended)

PREPARED BY



Estimated Impact of the Proposed Enterprise Operating Products, LLC Project on the Finances of the Barbers Hill Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Enterprise Operating Products, LLC (Enterprise) has requested that the Barbers Hill Independent School District (BHISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new natural gas liquids (NGL) fractionation manufacturing project. An application was submitted to BHISD on August 30, 2010. Enterprise proposes to invest \$235 million to construct the new NGL fractionator project in BHISD.

The Enterprise project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

School Finance Mechanics

Under the provisions of Chapter 313, BHISD may offer a minimum value limitation of \$30 million. Based on the application, the qualifying time period would begin with the 2011-12 school year. The full value of the investment is expected to reach \$218 million in 2013-14, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2011-12 and 2012-13 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2011-12 and 2012-13 school years. Beginning in 2013-14, the project would go on the local tax roll at \$30 million and remain at that level of taxable value for eight years for maintenance and operations taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with BHISD currently levying a \$0.2698 I&S tax rate.

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct their property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property

values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. Based on the data provided in the application, Enterprise indicates that no taxable value would be in place in the second year under the agreement. In year three (2013-14) of the agreement, the project is expected to go on the tax roll at \$30 million or, if applicable, a higher value limitation amount approved by the BHISD Board of Trustees. This difference would result in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

HB 1 established a “target” revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district’s compressed M&O tax rate. The additional six cents of tax effort that a district may levy are subject to an enriched level of equalization (or no recapture in the case of Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed plus six cents rate, equalization and recapture occur at the level of \$319,500 per weighted student in average daily attendance (WADA).

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue provisions from HB 1, that are then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional \$120 per WADA guarantee.

Under the provisions of HB 3646, school districts do have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 700 school districts are funded at the minimum \$120 per WADA level, while approximately 300 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district’s base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Enterprise project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f) (1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The

Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The approach used here is to use the District's enrollment projections but static property values in order to isolate the effects of the value limitation under the school finance system. While the new target revenue system appears to limit the impact of property value changes for a majority of school districts, changes in underlying property value growth have the potential to influence the revenue stream of a number of school districts.

Student enrollment counts begin at 4,342 students in average daily attendance (ADA) in 2011-12 and increase to 7,028 ADA over the next decade in analyzing the effects of the Enterprise project on the finances of BHISD, assuming a 3.5 percent annual growth in enrollment. The District's local tax base totaled \$2.8 billion for the 2010 tax year. While the district's tax base has experienced modest decline in recent years, the underlying \$2.8 billion taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation. BHISD is a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$574,503 expected for the 2011-12 school year. The assumptions for 2011-12 and the forecast period are summarized in Table 1.

School Finance Impact

A baseline model was prepared for BHISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Enterprise facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the Enterprise value but imposes the proposed property value limitation effective in the third year, which in this case is the 2013-14 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of \$1.06 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$38.6 million a year in net General Fund revenue at the beginning of the of limitation period, with annual increases reflective of the District's projected increases in student enrollment.

Under these assumptions, BHISD would experience a revenue loss as a result of the implementation of the value limitation in the 2013-14 school year (-\$122,658). The revenue reduction results from the mechanics of six cents not subject to recapture, which reflect the one-year lag in value associated with the property value study. It appears that smaller differences persist between the two models over the course of the agreement, in part due to deductions made in state property value study that do not sufficiently offset the reduction in M&O taxes resulting from the impact of the value limitation agreement.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller's Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, however, only a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. The result of this interpretation is that a "composite" value for a school district with a Chapter 313 agreement is calculated, by averaging the impact of the value reduction across the M&O and I&S tax levies. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer receiving the value limitation in school districts that only levy M&O taxes.

The consequence of the lower deduction in the value study relative to the Chapter 313 reduction in the CAD values is that a school district risks not being fully compensated under the school finance funding formulas for having granted the property value limitation. In the case of BHISD, the calculated lower reduction in the state property value relative to the M&O benefit to be received by the taxpayer does not appear to be substantial. In large part this results because the underlying tax base is substantially larger than the proposed project.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.06 per \$100 of taxable value M&O rate is assumed in 2010-11 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$14.1 million over the life of the agreement. The key BHISD revenue losses are associated with the additional six-cent levy not subject to recapture and expected to total approximately -\$219,702 over the course of the agreement. In total, the potential net tax benefits are estimated to total \$13.9 million over the life of the agreement.

Facilities Funding Impact

The Enterprise project remains fully taxable for debt services taxes, with BHISD currently levying a \$0.2698 I&S rate. The value of the Enterprise project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA that is currently well above what is provided for through the state's facilities program. The additional value is expected to help reduce the District's current I&S tax rate to \$0.2565 per \$100 in 2013-14—\$0.0133 cents of tax effort—with the rate reduction diminishing as the project value depreciates.

The Enterprise project is not expected to affect BHISD in terms of enrollment. While the construction phase is expected to employ as many as 500 workers, recent experience for similar projects suggests that a number of these workers are not likely to relocate their families while working on the project. The project is expected to result in the creation of eight full-time

positions once the project is in operation. Even if there are some additional students, BHISD is in the midst of a period of steady enrollment growth and should be able to accommodate additional students based on current enrollment trends.

Conclusion

The proposed Enterprise NGL fractionator project enhances the tax base of BHISD. It reflects continued capital investment in industrial gas manufacturing, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$14.0 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of BHISD in meeting its future debt service obligations.

Table 1 – Base District Information with Enterprise Operating Products, LLC Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
1	2011-12	4,342.35	5,067.72	\$1.0601	\$0.2698	\$2,793,937,580	\$2,793,937,580	\$2,911,424,135	\$2,911,424,135	\$574,503	\$574,503
2	2012-13	4,494.33	5,227.23	\$1.0601	\$0.2698	\$2,793,937,580	\$2,793,937,580	\$2,966,608,175	\$2,966,608,175	\$567,529	\$567,529
3	2013-14	4,651.63	5,389.65	\$1.0601	\$0.2576	\$3,012,317,580	\$2,823,937,580	\$2,979,946,365	\$2,979,946,365	\$552,902	\$552,902
4	2014-15	4,814.44	5,557.02	\$1.0601	\$0.2585	\$3,006,187,580	\$2,823,937,580	\$3,195,851,722	\$3,044,298,532	\$575,101	\$547,829
5	2015-16	4,982.95	5,729.52	\$1.0601	\$0.2595	\$2,999,517,580	\$2,823,937,580	\$3,188,746,708	\$3,042,225,227	\$556,547	\$530,974
6	2016-17	5,157.35	5,905.00	\$1.0601	\$0.2601	\$2,995,387,580	\$2,823,937,580	\$3,181,106,093	\$3,040,053,988	\$538,714	\$514,827
7	2017-18	5,337.86	6,094.00	\$1.0601	\$0.2615	\$2,988,907,580	\$2,823,937,580	\$3,175,957,791	\$3,038,286,117	\$521,162	\$498,570
8	2018-19	5,524.68	6,307.29	\$1.0601	\$0.2625	\$2,982,427,580	\$2,823,937,580	\$3,168,534,345	\$3,036,206,336	\$502,361	\$481,381
9	2019-20	5,718.05	6,528.04	\$1.0601	\$0.2635	\$2,975,947,580	\$2,823,937,580	\$3,161,063,243	\$3,034,029,182	\$484,228	\$464,769
10	2020-21	5,918.18	6,756.53	\$1.0601	\$0.2645	\$2,969,467,580	\$2,823,937,580	\$3,153,585,344	\$3,031,837,232	\$466,747	\$448,727
11	2021-22	6,125.31	6,993.00	\$1.0601	\$0.2655	\$2,962,987,580	\$2,962,987,580	\$3,263,079,400	\$3,146,609,256	\$466,621	\$449,965
12	2022-23	6,339.70	7,237.76	\$1.0601	\$0.2666	\$2,956,697,580	\$2,956,697,580	\$3,251,427,116	\$3,251,427,116	\$449,231	\$449,231
13	2023-24	6,561.59	7,491.08	\$1.0601	\$0.2680	\$2,947,398,580	\$2,947,398,580	\$3,240,116,727	\$3,240,116,727	\$432,530	\$432,530
14	2024-25	6,791.25	7,753.27	\$1.0601	\$0.2695	\$2,937,566,580	\$2,937,566,580	\$3,225,944,772	\$3,225,944,772	\$416,075	\$416,075
15	2025-26	7,028.94	8,024.63	\$1.0601	\$0.2701	\$2,928,246,240	\$2,928,246,240	\$3,211,382,921	\$3,211,382,921	\$400,191	\$400,191

*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

Table 2-- "Baseline Revenue Model"--Project Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid- Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2011-12	\$31,770,144	\$1,642,577	\$5,217,157	\$0	\$1,992,710	\$1,907,702	\$83,598	-\$551	\$38,627,917
2	2012-13	\$31,518,291	\$1,694,949	\$6,185,840	\$0	-\$1,613,342	\$1,892,579	\$107,192	-\$535	\$39,784,973
3	2013-14	\$33,702,853	\$1,749,155	\$4,422,753	\$0	\$919,538	\$2,023,755	\$171,149	-\$545	\$41,149,583
4	2014-15	\$33,641,501	\$2,130,872	\$6,896,938	\$0	-\$2,508,849	\$2,020,071	\$86,333	-\$598	\$42,266,270
5	2015-16	\$33,574,744	\$1,863,325	\$7,073,530	\$0	-\$1,109,072	\$2,016,063	\$156,189	-\$550	\$43,574,229
6	2016-17	\$33,533,410	\$2,272,230	\$7,311,291	\$0	-\$450,809	\$2,013,581	\$227,761	-\$528	\$44,906,936
7	2017-18	\$33,468,531	\$1,985,626	\$8,572,871	\$0	\$0	\$2,009,685	\$302,605	-\$477	\$46,338,840
8	2018-19	\$33,403,674	\$2,423,655	\$9,735,528	\$0	\$0	\$2,005,790	\$388,326	-\$448	\$47,956,525
9	2019-20	\$33,338,817	\$2,116,638	\$11,696,986	\$0	\$0	\$2,001,896	\$476,986	-\$389	\$49,630,933
10	2020-21	\$34,735,286	\$2,944,077	\$11,118,294	\$0	\$0	\$2,085,750	\$593,634	-\$374	\$51,476,666
11	2021-22	\$34,618,704	\$3,037,285	\$12,844,468	\$0	\$0	\$2,078,749	\$592,362	-\$357	\$53,171,213
12	2022-23	\$34,505,536	\$4,383,607	\$13,373,714	\$0	\$0	\$2,071,954	\$693,418	-\$322	\$55,027,907
13	2023-24	\$34,363,735	\$5,769,550	\$13,953,652	\$0	\$0	\$2,063,439	\$796,842	-\$252	\$56,946,966
14	2024-25	\$34,218,029	\$7,228,660	\$14,528,173	\$0	\$0	\$2,054,690	\$906,031	-\$214	\$58,935,370
15	2025-26	\$34,078,878	\$8,737,780	\$15,112,210	\$0	\$0	\$2,046,334	\$1,019,321	-\$156	\$60,994,367

Table 3-- "Value Limitation Revenue Model"--Project Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid- Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2011-12	\$31,770,144	\$1,642,577	\$5,217,157	\$0	\$1,992,710	\$1,907,702	\$83,598	-\$551	\$38,627,917
2	2012-13	\$31,518,291	\$1,694,949	\$6,185,840	\$0	-\$1,613,342	\$1,892,579	\$107,192	-\$535	\$39,784,973
3	2013-14	\$31,818,959	\$1,749,155	\$6,235,038	\$0	\$847,928	\$1,910,633	\$161,582	-\$514	\$41,026,925
4	2014-15	\$31,818,910	\$2,130,872	\$7,137,959	\$0	-\$927,278	\$1,910,630	\$180,757	-\$517	\$42,251,334
5	2015-16	\$31,818,856	\$1,863,325	\$7,720,346	\$0	\$0	\$1,910,627	\$247,094	-\$473	\$43,559,775
6	2016-17	\$31,818,824	\$2,272,230	\$8,676,068	\$0	\$0	\$1,910,625	\$314,718	-\$453	\$44,891,012
7	2017-18	\$31,818,749	\$1,985,626	\$10,222,653	\$0	\$0	\$1,910,620	\$387,227	-\$405	\$46,324,470
8	2018-19	\$31,818,695	\$2,423,655	\$11,320,507	\$0	\$0	\$1,910,617	\$469,223	-\$379	\$47,942,318
9	2019-20	\$31,818,641	\$2,991,675	\$12,342,125	\$0	\$0	\$1,910,614	\$554,227	-\$323	\$49,616,959
10	2020-21	\$33,279,914	\$4,161,619	\$11,356,125	\$0	\$0	\$1,998,359	\$671,781	-\$309	\$51,467,488
11	2021-22	\$34,618,704	\$4,202,045	\$11,679,708	\$0	\$0	\$2,078,749	\$691,168	-\$308	\$53,270,067
12	2022-23	\$34,505,536	\$4,383,607	\$13,373,714	\$0	\$0	\$2,071,954	\$693,418	-\$322	\$55,027,907
13	2023-24	\$34,363,735	\$5,769,550	\$13,953,652	\$0	\$0	\$2,063,439	\$796,842	-\$252	\$56,946,966
14	2024-25	\$34,218,029	\$7,228,660	\$14,528,173	\$0	\$0	\$2,054,690	\$906,031	-\$214	\$58,935,370
15	2025-26	\$34,078,878	\$8,737,780	\$15,112,210	\$0	\$0	\$2,046,334	\$1,019,321	-\$156	\$60,994,367

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2011-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2013-14	\$1,883,894	\$0	\$1,812,284	\$0	\$71,610	\$113,122	\$9,567	\$30	\$122,658
4	2014-15	\$1,822,591	\$0	\$241,021	\$0	\$1,581,571	-\$109,441	\$94,425	\$80	-\$14,936
5	2015-16	\$1,755,888	\$0	\$646,816	\$0	\$1,109,072	-\$105,436	\$90,905	\$77	-\$14,454
6	2016-17	\$1,714,586	\$0	\$1,263,777	\$0	\$450,809	-\$102,956	\$86,957	\$75	-\$15,924
7	2017-18	\$1,649,782	\$0	\$1,649,782	\$0	\$0	-\$99,064	\$84,622	\$72	-\$14,370
8	2018-19	\$1,584,979	\$0	\$1,584,979	\$0	\$0	-\$95,173	\$80,897	\$69	-\$14,207
9	2019-20	\$1,520,176	\$875,037	\$645,139	\$0	\$0	-\$91,282	\$77,241	\$66	-\$13,974
10	2020-21	\$1,455,373	\$1,217,542	\$237,831	\$0	\$0	-\$87,391	\$78,147	\$65	-\$9,178
11	2021-22	\$0	\$1,164,760	\$1,164,760	\$0	\$0	\$0	\$98,806	\$48	\$98,854
12	2022-23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2023-24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial impact of the Enterprise Operating Products, LLC Project Property Value Limitation Request Submitted to BHISD at \$1.0601 M&O Tax Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
1	2011-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2013-14	\$218,380,000	\$30,000,000	\$188,380,000	\$2,315,046	\$318,030	\$1,997,016	\$0	\$1,997,016	-\$122,658	\$1,874,358
4	2014-15	\$212,250,000	\$30,000,000	\$182,250,000	\$2,250,062	\$318,030	\$1,932,032	\$0	\$1,932,032	-\$14,936	\$1,917,096
5	2015-16	\$205,580,000	\$30,000,000	\$175,580,000	\$2,179,354	\$318,030	\$1,861,324	\$0	\$1,861,324	-\$14,454	\$1,846,870
6	2016-17	\$201,450,000	\$30,000,000	\$171,450,000	\$2,135,571	\$318,030	\$1,817,541	\$0	\$1,817,541	-\$15,924	\$1,801,617
7	2017-18	\$194,970,000	\$30,000,000	\$164,970,000	\$2,066,877	\$318,030	\$1,748,847	\$0	\$1,748,847	-\$14,370	\$1,734,476
8	2018-19	\$188,490,000	\$30,000,000	\$158,490,000	\$1,998,182	\$318,030	\$1,680,152	\$0	\$1,680,152	-\$14,207	\$1,665,946
9	2019-20	\$182,010,000	\$30,000,000	\$152,010,000	\$1,929,488	\$318,030	\$1,611,458	\$0	\$1,611,458	-\$13,974	\$1,597,484
10	2020-21	\$175,530,000	\$30,000,000	\$145,530,000	\$1,860,794	\$318,030	\$1,542,764	\$0	\$1,542,764	-\$9,178	\$1,533,585
11	2021-22	\$169,050,000	\$169,050,000	\$0	\$1,792,099	\$1,792,099	\$0	\$0	\$0	\$0	\$0
12	2022-23	\$162,760,000	\$162,760,000	\$0	\$1,725,419	\$1,725,419	\$0	\$0	\$0	\$0	\$0
13	2023-24	\$153,461,000	\$153,461,000	\$0	\$1,626,840	\$1,626,840	\$0	\$0	\$0	\$0	\$0
14	2024-25	\$143,629,000	\$143,629,000	\$0	\$1,522,611	\$1,522,611	\$0	\$0	\$0	\$0	\$0
15	2025-26	\$134,308,660	\$134,308,660	\$0	\$1,423,806	\$1,423,806	\$0	\$0	\$0	\$0	\$0
					\$24,826,150	\$10,635,015	\$14,191,135	\$0	\$14,191,135	-\$219,702	\$13,971,433

Tax Credit for Value Over Limit in First 2 Years

Year 1	Year 2	Max Credits
\$0	\$0	\$0
Credits Earned		\$0
Credits Paid		\$0
Excess Credits Unpaid		\$0

Attachment 3

Chambers County

Population

Total county population in 2009 for Chambers County: 31,431, up 7.0 percent from 2008. State population increased 2.0 percent in the same time period. Chambers County was the state's 91st largest county in population in 2009 and the 2nd fastest growing county from 2008 to 2009. Chambers County's population in 2009 was 68.9 percent Anglo (above the state average of 46.7 percent), 10.5 percent African-American (below the state average of 11.3 percent) and 18.4 percent Hispanic (below the state average of 36.9 percent).

2009 population of the largest cities and places in Chambers County:

Mont Belvieu:	2,913	Anahuac:	2,081
Beach City:	2,058	Old River-Winfree:	1,812
Cove:	307		

Economy and Income

Employment

September 2010 total employment in Chambers County: 13,488, up 1.0 percent from September 2009. State total employment increased 1.2 percent during the same period.

September 2010 Chambers County unemployment rate: 9.3 percent, down from 10.3 percent in September 2009. The statewide unemployment rate for September 2010 was 8.1 percent, unchanged from 8.1 percent in September 2009.

September 2010 unemployment rate in the city of: NA

(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).

Income

Chambers County's ranking in per capita personal income in 2008: 12th with an average per capita income of \$43,605, up 4.6 percent from 2007. Statewide average per capita personal income was \$37,809 in 2008, up 2.6 percent from 2007.

Industry

Agricultural cash values in Chambers County averaged \$22.65 million annually from 2006 to 2009. County total agricultural values in 2009 were down 52.2 percent from 2008. Major agriculture related commodities in Chambers County during 2009 included:

Aquaculture	Rice	Hunting	Hay	Other Beef
-------------	------	---------	-----	------------

2010 oil and gas production in Chambers County: 512,720.0 barrels of oil and 5.5 million Mcf of gas. In September 2010, there were 192 producing oil wells and 74 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Quarterly (January 2010 through March 2010)

Taxable sales in Chambers County during the first quarter 2010: \$42.09 million, down 19.8 percent from the same quarter in 2009.

Taxable sales during the first quarter 2010 in the city of:

Mont Belvieu:	\$12.30 million, down 22.9 percent from the same quarter in 2009.
Anahuac:	\$2.03 million, down 11.8 percent from the same quarter in 2009.
Old River-Winfree:	\$0.00
Cove:	\$680,742.00, up 5.8 percent from the same quarter in 2009.

Annual (2009)

Taxable sales in Chambers County during 2009: \$196.36 million, down 9.0 percent from 2008.

Chambers County sent an estimated \$12.27 million (or 0.07 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

Mont Belvieu:	\$56.58 million, down 19.0 percent from 2008.
Anahuac:	\$9.19 million, up 9.0 percent from 2008.
Old River-Winfree:	\$0.00
Cove:	\$3.57 million, down 24.8 percent from 2008.

Sales Tax - Local Sales Tax Allocations

Monthly

Statewide payments based on the sales activity month of September 2010: \$541.48 million, up 8.1 percent from September 2009.

Payments to all cities in Chambers County based on the sales activity month of September 2010: \$193,756.92, up 13.2 percent from September 2009.

Payment based on the sales activity month of September 2010 to the city of:

Mont Belvieu:	\$171,941.19, up 11.9 percent from September 2009.
Anahuac:	\$11,579.29, down 7.5 percent from September 2009.
Old River-Winfree:	\$2,070.71, up 31.1 percent from September 2009.
Cove:	\$8,165.73, up 145.1 percent from September 2009.

Annual (2009)

Statewide payments based on sales activity months in 2009: \$5.59 billion, down 7.3 percent from 2008.

Payments to all cities in Chambers County based on sales activity months in 2009: \$2.64 million, down 18.3 percent from 2008.

Payment based on sales activity months in 2009 to the city of:

Mont Belvieu:	\$1.94 million, down 18.6 percent from 2008.
Anahuac:	\$149,399.69, down 14.9 percent from 2008.
Old River-Winfree:	\$21,330.45, down 1.8 percent from 2008.
Cove:	\$43,286.82, down 18.5 percent from 2008.

Property Tax

As of January 2008, property values in Chambers County: \$7.40 billion, up 6.8 percent from January 2007 values. The property tax base per person in Chambers County is \$251,964, above the statewide average of \$85,992. About 3.3 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Chambers County's ranking in state expenditures by county in fiscal year 2009: 79th. State expenditures in the county for FY2009: \$148.69 million, up 41.6 percent from FY2008.

In Chambers County, 8 state agencies provide a total of 44 jobs and \$461,194.00 in annualized wages (as of 1st quarter 2010).

Major state agencies in the county (as of first quarter 2010):

- Department of Public Safety
- Department of Transportation
- Parks & Wildlife Department
- AgriLife Extension Service
- Health & Human Services Commission

Higher Education

Community colleges in Chambers County fall 2009 enrollment:

None.

Chambers County is in the service area of the following:

Galveston College with a fall 2009 enrollment of 2,167. Counties in the service area include:

- Chambers County
- Galveston County
- Jefferson County

Lee College with a fall 2009 enrollment of 6,542. Counties in the service area include:

- Chambers County
- Harris County
- Liberty County

San Jacinto Community College with a fall 2009 enrollment of 30,449. Counties in the service area include:

- Chambers County
- Harris County

Institutions of higher education in Chambers County fall 2009 enrollment:

None.

School Districts

Chambers County had 3 school districts with 16 schools and 6,494 students in the 2008-09 school year.

(Statewide, the average teacher salary in school year 2008-09 was \$47,158. The percentage of students, statewide, meeting the 2009 TAKS passing standard for all 2008-09 TAKS tests was 74 percent.)

Anahuac ISD had 1,338 students in the 2008-09 school year. The average teacher salary was \$44,378. The percentage of students meeting the 2009 TAKS passing standard for all tests was 80 percent.

Barbers Hill ISD had 3,890 students in the 2008-09 school year. The average teacher salary was \$53,328. The percentage of students meeting the 2009 TAKS passing standard for all tests was 89 percent.

East Chambers ISD had 1,266 students in the 2008-09 school year. The average teacher salary was \$44,260. The percentage of students meeting the 2009 TAKS passing standard for all tests was 79 percent.